

OPENING STATEMENT

Corporate Accounting Practices: Is There Credibility GAAP?

Part II

Subcommittee on Capital Markets, Insurance and Government Sponsored Enterprises

5/14/02

Rep. Stephanie Tubbs Jones

Good Morning, Chairman Baker, Vice Chairman Ney, Ranking Member Kanjorski and Members of this Subcommittee. Mr. Chairman, I ask unanimous consent that my full statement be included in the Record.

A few weeks ago, this subcommittee held its first hearing on these issues focusing specifically on the impacts of accounting rules on investors. Today, we are here to explore the role of those individuals that created those rules.

In 1973, the Financial Accounting Standards Board, otherwise known as FASB, was named as the principle entity responsible for the creation of standard accounting rules and regulations. GAAP is apparently the result of many years of deliberation and debate regarding these standards.

For one reason or another, we have seen these rules and regulations stretched to, and past, the breaking point often leading to financial disasters like Enron and Global Crossing. There seems to be a variety of opinions as to why these rules and regulations are so easily circumvented. Some say that the GAAP standards do not reflect the global

pulse of modern business and thus are not able to accurately reflect the financial condition of an international corporation. Others say that FASB is simply not able to react quickly enough in order to deliver new rules and regulations that reflect the escalating complexity of financial transactions between multinational corporations. Still others say that it is simply ineptitude on the part of the members of FASB to deliver.

We are here today to find out for ourselves what the case may be. This committee is fortunate to not only have experts from both academic and corporate accounting circles testifying today but the Chairman of FASB has been gracious enough to appear before us as well as the Chief Accountant of the SEC. With all of the debate regarding the efficacy of FASB as it pertains to its stated mission, I look forward to hearing the perspective of those closest to the issue.

Mr. Chairman, I thank you for my time.